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SUBJECT: LATVIA'S FALLING CORRUPTION SCORE: RESOURCE REQUEST

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¶1. (SBU) Summary: Latvia's score on Transparency International's (TI) 2009 Corruption Perceptions Index (TI Index) decreased significantly from 5.0 to 4.5 on a 10 point scale. The Latvian Corruption Combating and Prevention Bureau (KNAB) and other observers believe that corruption has indeed increased in Latvia since the start of the economic crisis in late 2008. In order to help combat further slippage, Embassy Riga requests the emergency provision of limited technical assistance from the Department of Justice, funded by possible fallout or excess funds that may become available. See para 7 for resource request. End Summary

¶2. (U) Latvia's 4.5 score places it in 56th place overall, 22nd place among EU members, and last among the three Baltic states. This year's score brings Latvia back to its pre-2002 level - before the establishment of the KNAB. Latvia's score had risen from 4.6 in 2002 to 5 in 2008.

¶3. (SBU) Latvia's 2009 TI Index score is a composite of six expert and public surveys completed in late 2008 and early 2009, so some time lag exists in the date. All the surveys measured perceptions of corruption, not actual corruption, and the results may have exaggerated reality. TI's local chapter notes that one of the events that probably increased the public's perception of corruption was the controversial removal of KNAB's director and the subsequent 8 month vacancy in KNAB's director's chair (Reftel). However, a corruption expert at Providus, a local NGO, told us that KNAB's everyday work carried on normally during the vacancy. The Director of TI's local chapter suspects that the public's widespread belief that the government incompetently dealt with the crisis could have bled into people's perceptions of corruption levels in Latvia. A KNAB representative also pointed out that in 2007 KNAB conducted a survey that asked anonymous respondents how widespread they believed bribery to be and whether or not they had been involved in bribery. The results revealed a lower actual level of corruption than what had been perceived.

¶4. (SBU) Nevertheless, informed observers do believe that corruption has increased in Latvia since the start of the economic crisis. The Chairwomen of the Latvian Chamber of Commerce and Industry (LCCI) told the press that before the crisis the going rate for a government contract was a 10% bribe, but now members of her organization say that the going rate is about 15%-20%. The LCCI is considering the establishment of a code of conduct, for a critical mass of companies to stand together against corrupt business practices. KNAB officials believe that the crisis is increasing corruption at all levels of government. They said that procurement corruption is increasing, particularly at the local level, because businesses are competing for a smaller number of contracts and they are increasingly resorting to bribery to win those few contracts. They also

say that government officials, whose salaries the government has cut by as much as 60%, are more frequently demanding bribes out of desperation.

¶15. (SBU) The crisis could also be decreasing Latvia's capacity to fight corruption. KNAB's budget is down about 30% this year. In response KNAB has focused its efforts on investigations and reduced other activities, such as public education. The Prosecutor General's budget is down about 40%.

#### CONCLUSION AND RESOURCE REQUEST

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¶16. (SBU) Latvia has made great strides in reducing corruption since regaining independence, but it does appear that the situation, and certainly people's perception of the situation, is deteriorating. Although the evidence is anecdotal, the economic pressures on many Latvians make this theory plausible. As the economy recovers, the short-term pressures that appear to be increasing corruption will recede, but the increasing perception of corruption could have real consequences in the long-term fight against corruption. Increasing cynicism about the government could lead people to further disengage from the political process and a perception that "everyone is doing it" could increase cultural acceptance of corruption. Foreign investors could be discouraged from coming to Latvia. To avoid this, Latvia's corruption-fighting institutions must do more with fewer resources.

¶17. (SBU) USG technical assistance aimed at increasing those institutions' capacity could help the Latvians reverse the tide. Embassy Riga believes that over the coming year, five priority DOJ training courses on informant development, asset

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forfeiture, interview and interrogation skills, trial advocacy, and political/election fraud would fill critical skills and training gaps in KNAB and other Latvian law enforcement institutions. At an estimated cost of only \$15,000 per course, we could provide cost-effective and critical reinforcement at emerging weak links in the region, and provide a valuable vote of confidence in those courageous elements and voices who are seeking to prevent a further decline in their country's economy and international reputation.  
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